



For immediate release

31 January 2012

Results for the year ended 30 November 2011

Porvair plc ("Porvair"), the specialist filtration and environmental technology group, today announces its results for the year ended 30 November 2011.

Key features:

- Financial performance ahead of expectations:
 - Revenues up 7% to £68.1m (2010: £63.6m).
 - Profit before tax up 44% to £4.5m (2010: £3.1m).
 - Earnings per share up 40% to 7.3 pence (2010: 5.2 pence).
 - Cash generated from operations was £8.1m (2010: £8.1m).
 - Net debt reduced by 47% to £5.1m (2010: £9.7m; 2009: £13.9m).
 - Net debt to EBITDA ratio was 0.6 times (2010: 1.6 times).
 - Final dividend increased to 1.4 pence per share (2010: 1.3 pence per share).
- Microfiltration division:
 - Revenues up 4%. Strong performance in aviation and energy markets.
 - Several large contract wins, record order intake.
 - Finished year with record opening order book for 2012.
- Metals Filtration division:
 - Revenues up 15% in constant currency (12% as reported).
 - Margin enhancement and market share gains from patented products continues.
 - Further transfer of un-patented products to China on track.
- 2012 has started well:
 - \$25m contract won to supply filters onto the Boeing 787 over the next 15 years.
 - Acquisition of the Block Digester product line from Aim Laboratories expected to be immediately earnings enhancing.

Commenting on the results and outlook, Ben Stocks, Chief Executive, said:

"2011 was a good year with progress towards strategic objectives achieved across the business. Porvair's strategy and operating objectives have remained consistent for several years. Since 2007, Porvair has achieved 50% revenue growth (11% CAGR); generated over £30m in cash from operations; and this year posted a 21% operating profit return on capital.

"2012 has started well, with revenues in December and January ahead of the prior year. Order books are at record levels, boosted by the large POSCO order that is expected to be mostly delivered early in 2013. Leaving this order aside, underlying demand is also currently healthy. Porvair holds attractive niche positions in growing markets and has a clear strategy for growth. Provided the macro economic situation remains stable, the Board sees plenty of opportunity for 2012 and beyond".

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Chairman and Chief Executive's statement

Overview

In 2011 Porvair made further progress towards its financial and strategic objectives. Sales revenues grew 7%; profit before tax increased 44%; and robust cash generation reduced net borrowings by 47%. Both divisions achieved their strategic objectives for the year, thereby enhancing opportunities for further progress in 2012 and beyond.

Revenues in the year to 30 November 2011 were £68.1m (2010: £63.6m). Microfiltration revenues grew 4% to £42.2m (2010: £40.4m) and Metals Filtration revenues grew 12% (15% in constant currency) to £25.9m (2010: £23.2m).

Operating profit increased 27% to £5.3m (2010: £4.2m) and profit before tax was up 44% to £4.5m (2010: £3.1m).

Cash generation was again strong. Cash generated from operations was £8.1m (2010: £8.1m). Net debt at 30 November 2011 reduced by 47% to £5.1m (2010: £9.7m; 2009: £13.9m).

Porvair's strategy and operating objectives have remained consistent for several years. Since 2007, Porvair has achieved 50% revenue growth (11% CAGR); generated over £30m in cash from operations; and this year posted a 21% operating profit return on capital.

Progress made in 2011 against key strategic objectives included:

- New products in the Metals Filtration division boosted revenue and margin percentage, with further improvements in product formulations introduced through the year. Trials of the next new product have already started.
- The Microfiltration division's Seal Analytical business ("Seal") introduced its second major new product under Porvair management. More are in the pipeline for 2012.
- The Microfiltration division's aerospace and energy segments had strong years with aviation fuel tank inerting work growing quickly and significant contract wins on new airframes. A record \$10m+ order from POSCO for Porvair designed gasification filtration was announced in November 2011.
- Further investment was made in the Metals Filtration division's plant in Wuhan, China, where sales doubled.
- Seal's US facilities were expanded to accommodate the acquisition of Aim Laboratories block digestion product line.

Given the number of attractive opportunities in prospect, the Board has decided to reduce the number of markets served by the Group in 2012. As a result, Porvair's activities in the UK natural gas transmission market have ceased. A small production facility in Poole, UK, was closed in November. Some manufacturing was transferred to other plants. A site closure charge of £0.5m is included within Microfiltration's reported profits. The site will be marketed for sale in 2012.

Porvair's activities and strategy

Porvair specialises in filtration and related environmental technology. We operate two divisions. The Microfiltration division principally serves aviation, laboratory and energy markets. The Metals Filtration division serves global aluminium, NAFTA iron foundry and super-alloy markets.

The Group manufactures principally in the UK, US, Germany and China. Its sales are global. Over 80% of sales are from consumable products for which replacement sales recur on a regular basis.

Porvair's strategy is to develop value-added products for growing markets. In practice this means:

- Develop filtration and environmental technology products in markets where typically:
 - specialist design or engineering skills win business;
 - regulation or quality accreditation requirements mandate product use;
 - products are consumable, replaced as part of a maintenance routine in order to protect more costly downstream components;
 - products, once designed into a specification, have very long lifecycles.
- Focus on markets with good long term growth characteristics, where demand is driven by regulation, specifically: aviation, energy & industrial, environmental laboratory supplies and aluminium filtration.
- Invest consistently in specified new products. Make new product development a priority for the business and central to Porvair management culture.
- Expand geographically, where appropriate, in our chosen markets.
- Acquire complementary businesses that meet Group financial and commercial criteria.
- Maintain an appropriately funded balance sheet and generate sufficient cash to sustain a progressive dividend policy.

Operating Review

Divisional Performance – Microfiltration

Revenues at the Microfiltration division were up 4% to £42.2m (2010: £40.4m). Operating profits were £5.6m (2010: £5.5m). Reported operating profits include a charge of £0.5m for the costs of closure of the Poole facility. The charge covers redundancies, substantially incurred in the year, and inventory provisions and property impairment costs. Underlying operating profit growth was 11%.

There are two principal businesses in this division: the Porvair Filtration Group (“PFG”) and Seal Analytical (“Seal”).

PFG had a good year. Revenues increased 10% and order books at the end of the year were at record levels.

The largest market served by PFG is aviation, where sales in the year grew 15%. Aviation orders at the end of the year were strong for the third year running. Porvair's aviation filters are specified on almost all commercial airframes, we serve both new build and after market demand. Fuel tank inerting filter sales and orders grew throughout the year. Further developments of this specialist product are currently being considered by customers both in the US and Asia. Looking ahead, production orders for components on the Airbus 380 fleet have started and are expected to increase in 2012. Sales of filters on the Boeing 787, including those covered by a \$25 million, 15 year contract, will begin this year. We see plenty of opportunities in aviation filtration.

We have previously commented that Porvair's long track record in both nuclear and gasification filtration is an increasingly useful asset to the business, and this was demonstrated in 2011 with the contract announced in November. This work will generate revenues of \$10-15 million depending on final configuration. We will design and build char filtration equipment for the Gwangyang coal-to-substitute natural gas (“SNG”) project under construction by POSCO, one of the world's largest steel manufacturers. Under the terms of the contract, Porvair also becomes POSCO's preferred supplier for any future SNG projects. Manufacturing on this project will start early in 2012, with first deliveries expected early in 2013. The financial impact will spread over three years from 2012. Whilst this was the headline success of the year, a number of other significant contracts were signed, notably with Melox and British Energy for nuclear installations; and with Sasol and SG Solutions in the gasification field. Further gasification and nuclear projects are a key growth opportunity for the Group.

PFG has a number of other niche positions that are either showing promise or already growing steadily:

- Its US subsidiary had a good year, growing revenues by 11% and increasing its capabilities. This is expected to continue in 2012 and remains an important growth opportunity for the Group;
- As reported at the interim stage, a new bioscience filter, Chromatrap™, was introduced to the epigenetics research market earlier in the year. Beta testing and early commercial sales are progressing well;
- Sales of filters into the industrial ink jet market also grew in 2011.

Seal, as reported at the time, had a more difficult first half with sales at constant currencies falling 7%. The second half was better however, and for the full year Seal's revenues were 5% lower than 2010. Nevertheless, profits in 2011 were marginally ahead of the prior year due to improving margins. Seal has developed substantially under Porvair ownership. Sales are c25% higher than at the time of acquisition in 2008. Both profitability and cash generation are good. Substantial new products are being launched; facilities in both Germany and the US have been upgraded; a technical support team in Asia has been hired and trained; and the number of technically qualified staff has increased. All these actions, along with the robust market fundamentals associated with the growing need for clean water across the world, give us confidence that there are plenty of opportunities for growth in Seal. Organically this will be driven by new products – two introduced in the last two years and more in the pipeline for 2012; by a more structured approach to distributor training; and by improving services to our installed base of customers. These initiatives will be helped by the acquisition of Aim Laboratories' block digestion product line, completed subsequent to the year end. Block digestion is an integral part of the water analysis process, and these products and the consumables that support them will be sold through existing sales channels. This small acquisition, announced in December 2011, will be immediately earnings enhancing.

Divisional Performance – Metals Filtration

Revenues in the Metals Filtration division were £25.9m (2010: £23.2m), a 12% increase (15% in constant currency). Operating profits were £1.5m (2010: £0.5m). The division remains cash generative. Revenues at the satellite plant in Wuhan, China more than doubled and this site reported a maiden profit for the year.

Operating profit margins in this division have improved substantially but remain relatively low at 6%. The Board can see a clear route to achieving 10% margins and the division's management team continue to make good progress towards this goal.

Market share and margin growth are being driven by the new and patented products we have introduced in recent years and the development of our capabilities in China.

We see further opportunities with the new and patented products. The Selee CSX™ Aluminium cast house filter has a greater than 50% global market share. It has several unique advantages, including a much lower environmental impact, and new customers are converting to it steadily. The Selee IC™ iron foundry filter has now been adopted by 80% of our customer base in the NAFTA region, where we have a leading market share for this sort of filter. It offers customers a more robust formulation and uses domestically sourced raw materials that have historically seen more stable pricing. The Selee SA™ filter is used in specialist nickel-cobalt castings and has a dominant market share.

Switching to these patented products enabled us to shut down one production line in the US in 2011 and move some more manufacturing to China. Overall costs in the division were reduced as a result, and the full benefits of this will be seen in 2012.

Work is well underway on the next generation of new products in this division, the first of which is already in customer trials.

EPS, dividend and financing

Earnings per share were 7.3p (2010: 5.2p), an increase of 40%.

Cash generated from operations was £8.1m (2010: £8.1m). After interest and tax, net cash generated from operating activities was £6.4m (2010: £6.9m). Net debt at 30 November 2011 was £5.1m (2010: £9.7m). In the last three years net debt has reduced by £11.6m. The ratio of net debt to EBITDA at 30 November 2011 was 0.6 times (2010: 1.6 times).

The Directors recommend an improved final dividend of 1.4 pence (2010: 1.3 pence) making the full year dividend 2.4 pence (2010: 2.3 pence).

Staff

Porvair has developed and strengthened over the last few years, and sales have grown 50% since 2007. This is entirely due to our staff, who can see the fruits of their work in the 2011 results. Much has changed since the recession of 2009. The manufacturing and product base of the Metals Filtration division is very different. In the Microfiltration division, Seal has undergone significant changes in product lines and facilities and PFG has dealt admirably with both underlying growth and the effort involved in a good record of major contract wins. The Board is pleased to acknowledge these successes and all the hard work by our staff required to achieve them.

Current trading and outlook

2011 was a good year with progress towards strategic objectives made across the business. 2012 has started well, with revenues in December and January ahead of the prior year. Order books are at record levels, boosted by the large POSCO order that is expected to be mostly delivered early in 2013. Leaving this order aside, underlying demand is also currently healthy. Porvair holds attractive niche positions in growing markets and has a clear strategy for growth. Provided the macro economic situation remains stable, the Board sees plenty of opportunity for 2012 and beyond.

Charles Matthews – Chairman
Ben Stocks – Chief Executive
30 January 2012

Finance Director's review

Group operating performance

Group revenues were £68.1m (2010: £63.6m) and operating profit was £5.3m (2010: £4.2m). The operating performance and key performance indicators of the Microfiltration and Metals Filtration divisions are described in detail in the Chairman and Chief Executive's statement and below. The operating loss associated with the Other Unallocated segment was £1.8m (2010: £1.8m), which mainly comprises Group corporate costs. These include new business development costs, some research and development costs and general financial costs.

Key performance indicators

The Group considers its key performance indicators to be: revenue growth and operating margins of its principal operations; revenue from new generation products; profit before tax growth; earnings per share growth; interest cover; net debt to EBITDA; gearing; and return on capital employed. The table below summarises these indicators:

	2011	2010
Revenue growth	7%	15%
Revenue growth at constant currency	9%	15%
Revenue growth - Metals Filtration (US dollars)	15%	24%
Revenue growth – Microfiltration	4%	11%
Revenue from new generation products	33%	21%
Operating margin - Group	8%	7%
Operating margin - Metals Filtration	6%	2%
Operating margin - Microfiltration	13%	14%
Profit before tax growth	44%	82%
Earnings per share growth	40%	93%
Interest cover	7 times	4 times
Net debt to EBITDA ratio	0.6 times	1.6 times
Gearing	12%	24%
Post tax return on capital employed	7%	6%
Post tax return on operating capital employed	21%	15%

The Board considers that the Group has performed ahead of the expectations set at the start of the financial year as measured by these Key Performance Indicators.

Impact of exchange rate movements on performance

The international nature of the Group's business means that relative movements in exchange rates can have a significant impact on the reported performance. The average rate used for translating the results of US operations into Sterling was \$1.60:£ (2010: \$1.55:£), holding back the reported performance of the Metals Filtration operations compared with 2010 and reducing the growth of Group revenue from 9% at constant currency to 7% as reported. The results of the Group's Euro denominated operations were translated at €1.15:£ (2010: €1.16:£) giving minimal currency impact compared with 2010. The Group sold forward the majority of its UK business's 2011 US dollar revenue at the start of the financial year and achieved rates of \$1.56:£ (2010: \$1.58:£) giving a small benefit to the reported performance compared with 2010.

Finance costs

Net interest payable reduced to £0.8m (2010: £1.0m). Included within interest payable are finance costs in relation to the defined benefit pension scheme, which reduced to £0.2m (2010: £0.4m) in the year. Other net interest payable reduced as a result of lower borrowings throughout the year.

The Group has a policy of maintaining between 40% and 60% of its borrowings on fixed interest terms. It achieves this by taking out interest rate swaps to fix the interest rates on certain of its borrowings. These provide some protection for the Group in the event of interest rate rises. However, since the Group took out its most recent fixed rate contracts, it has reduced its borrowings faster than expected and consequently the Group had approximately 70% of its borrowings held at a fixed rate at 30 November 2011. The contracts in place are summarised below:

Fixed rate	Principal amount	Principal terms
2.21%	\$5m	Matured on 12 December 2010
2.43%	\$5m	Matured on 12 December 2011
3.03%	£3m	Reducing by £1m on each of 30 November 2010, 2011 and 2012
1.88%	\$5m	Effective from 12 December 2010 to 12 December 2013
2.29%	\$2.5m	Effective from 12 December 2011 to 12 December 2013

Interest cover was 7 times (2010: 4 times).

Tax

The Group tax charge was £1.4m (2010: £1.0m). This is an effective rate of 31% (2010: 31%), higher than the standard corporate tax rate of 26.7% (2010: 28%), mainly as a result of higher tax rates on profits made in Germany and the US. The tax charge comprises current tax of £0.8m (2010: £0.7m) and a deferred tax charge of £0.6m (2010: £0.3m). The Group carries a deferred tax asset principally relating to the past losses in its US operations, the deficit on the pension fund and share-based payments. The tax asset related to the past losses is limited to the amount expected to be recovered in the foreseeable future.

Total equity

Total equity at 30 November 2011 was £42.1m (2010: £40.5m), an increase of 4% over the prior year. Increases in total equity arose from profit after tax of £3.5m (2010: £2.4m), after adding back the charge for employee share option schemes, £0.5m (2010: £nil) from the issue of shares on the exercise of share options and smaller movements in relation to exchange. Dividends paid of £1.0m (2010: £0.9m) and an actuarial loss of £1.6m net of tax (2010: gain of £2.3m net of tax) reduced total equity.

Cash flow

Cash generated from operations was £8.1m (2010: £8.1m). Net working capital was tightly controlled and only increased marginally, although revenue rose by 7% in the year.

Net interest paid was £0.5m (2010: £0.7m), in line with the bank interest charged in the year. Tax paid was £1.2m (2010: £0.6m), higher than the current tax charge as a result of accrued taxation relating to prior periods paid to the German tax authorities.

Capital expenditure was £1.4m (2010: £1.3m). The principal investments in 2011 were for plant to increase capacity and IT infrastructure in the Microfiltration division.

Borrowings and bank finance

At the year end, the Group had net borrowings of £5.1m (2010: £9.7m) comprising gross borrowings of £10.2m (2010: £15.5m) and finance lease obligations of £nil (2010: £0.1m) offset by cash balances of £5.1m (2010: £5.9m). Borrowings of £6.6m (\$10.4m) (2010: £9.6m (\$15.0m)) are held in US dollars.

The Group has adequate facilities and operating headroom under its facilities, which extend out to December 2013. At 30 November 2011 the Group had £3.0m of unused facilities (2010: fully drawn down), an unutilised overdraft facility of £2.5m (2010: £2.5m) and cash balances of £5.1m (2010: £5.9m).

During the year, the Group collected its €1.6m interest bearing debtor and repaid and cancelled its secured Euro revolving credit facility of €1.6 million.

The Group's net debt to EBITDA ratio improved to 0.6 times (2010: 1.6 times). The Group's gearing ratio (net debt as a percentage of total equity) reduced to 12% (2010: 24%).

Finance and treasury policy

The treasury function at Porvair is managed centrally, under Board supervision. It is not a profit centre and does not undertake speculative transactions. It seeks to limit the Group's exposure to trading in currencies other than its operations' local currency and to hedge its investments in currencies other than Sterling. The Group does not hedge against the impact of exchange rate movements on the translation of profits and losses of overseas operations.

At the year end, the Group had \$10.4m (2010: \$15.0m) of US dollar borrowings exposure which hedged underlying US net assets on the balance sheet of \$33.1m (2010: \$27.5m).

The Group finances its operations and working capital by a combination of share capital and retained profits; and short and long term loans.

Pension schemes

The Group continues to support its defined benefit pension scheme in the UK, which is closed to new members, and to provide access to defined contribution schemes for its US employees and other UK employees.

The Group recorded a retirement benefit obligation of £7.2m (2010: £5.6m). The increase in the deficit arose principally from an actuarial loss in the year of £1.8m (2010: gain of £3.1m), comprising a loss in the value of the assets of £0.5m and a loss arising on changes in financial and demographic assumptions of £1.3m.

The life expectancy of members of the scheme at age 65 is assumed to be 19.6 years (2010: 19.5 years) for men and 22.2 years (2010: 22.1 years) for women.

A full triennial actuarial valuation of the assets and liabilities of the defined benefit scheme was completed in 2010, based on data at 31 March 2009. As a result of this review, the Group and the Trustees agreed to alter the employer's contributions from 8% of salary to 8.2% of salary plus a £175,000 annual contribution towards the running costs of the scheme commencing in March 2011 and increasing by 3.25% per annum. The Group also committed to make additional annual contributions, to cover the past service deficit, of £300,000 per annum increasing by 5% per annum commencing in December 2010, with an increase to £450,000 per annum in December 2013 increasing by 5% per annum thereafter. The funding shortfall is expected to be eliminated by December 2027. The next full actuarial valuation of the scheme will be based on the pension scheme's position at 31 March 2012.

Principal risks and uncertainties

There are a number of risks and uncertainties, described below, which could have a material impact on the Group's long term performance and prospects.

Existing market risk

The Group serves the needs of a range of specialist filtration markets, such that it is not dependent upon any one market. No single market represents more than 25% of revenue. However, four key markets: aviation filtration; energy and industrial process filtration; environmental laboratory supplies and aluminium filtration each contribute more than 10% of the Group's revenue and the Group would be exposed to a significant decline in any of these markets.

The aerospace market has traditionally been a very steady business as the product cycles are very long and the Group offers a broad range of products. There is unlikely to be such a rapid decline in the aerospace market that the Group could not manage the consequences over time.

The energy and industrial process products serve a range of customers who use filters as an integral part of processes in their plants. Sales are both for new build and after market spares. A sustained economic downturn, as experienced in 2009, will affect demand in these markets.

Environmental laboratory supplies are chiefly sold to laboratories engaged in meeting the regulatory requirements for clean water. This market is expected to grow as water regulations tighten throughout the world and demand for clean water in the developing world increases. Whilst revenue will be affected by access to capital in customer markets (municipal/utilities and industrial labs) it is expected that the regulated nature of this market will mitigate cyclical changes.

Aluminium production tends to be cyclical and the Group's revenue is affected by the levels of production. However, the Group now has a stronger market position having successfully converted its customers to a new improved filter formulation. The production of aluminium is gradually moving to larger smelters in regions of low cost energy. The Group is developing its sales presence accordingly.

New products and markets risk

The Group invests significant amounts into the development of new products often driven either by environmental imperatives or legislation. In the early stage of development there is a risk that these products will either not be adopted as part of the potential solutions or that the legislation or regulation will not develop in the way that the Group anticipates.

The Group has brought a number of these products to market recently and the risks related to new products is reduced. However, the Group maintains a close review of each of its major developments and is not significantly exposed if the market for any one product does not develop.

Raw materials, resources and facilities risk

The Group uses raw materials in its production processes. Prices for these raw materials can be volatile and are affected by the cyclical movement in commodity prices such as oil, gas and steel. The Group's ability to pass on these price fluctuations to its customers is to some extent dependent on the contracts it has entered into and the prevailing market conditions. The recently developed patented products in the Metals Filtration division generally utilise lower cost and more price stable raw materials than the predecessor products. Nevertheless, there may be times when the Group's results are adversely affected by an inability to recover increases in raw material prices.

The Group operates from a number of production facilities, the largest facility generating approximately one third of the Group's revenue. A disaster, such as a fire or flood, at any of the Group's facilities could have a material impact on the Group's performance. The Group maintains insurance of its equipment and facilities and carries business interruption insurance to cover loss of profits. In addition, the Group has ISO 9001 and other industry specific quality control systems which reduce the risk that a disaster will occur.

Competitive risk

Porvair operates in competitive global markets. The Group's achievement of its objectives is reliant on its ability to respond to many competitive factors including, but not limited to, pricing, technological innovations, product quality, customer service, manufacturing capabilities and the employment of qualified personnel. If the Group does not continue to compete in its markets effectively by developing innovative solutions for its customers and serving them well, it could lose them and its results could be adversely affected.

Technological risk

Porvair has a broad portfolio of products delivered to a diverse range of markets. The Group's business could be affected if it does not:

- continue to develop new designs for its customers that provide technical or cost advantages over its competitors; and
- develop new technologies and materials that are adopted by its customers to provide improved performance.

The Group recognises that certain of its competitors are larger and have greater financial resources. This may enable them to deliver products on more attractive terms than the Group or to invest more resources, including research and development, than the Group.

The Group carefully selects its development prospects and monitors their progress. The nature of the Group's development projects means that their potential commercial or technical success cannot be assessed with certainty throughout the development process. The ultimate commercial success of a project can often only be judged when the development cycle is close to completion.

Financing risk

The Group maintains a level of borrowing to finance its operations. Damage to, or loss of, its banking relationships could have a material impact on the profitability of the Group. To mitigate this risk, the Group has sufficient long-term facilities in place for its expected requirements. It maintains a close relationship with its bankers and carefully monitors the covenant restrictions on its borrowings.

Treasury and exchange rate risk

The Group has operations in the UK, US, Germany and China and sells its products throughout the world. As a result, the Group is exposed to fluctuations in exchange rates. The Group maintains certain of its borrowings in US dollars to hedge its investments in the US and enters into forward sales of its principal foreign currency revenues to reduce the impact of exchange rate movements.

Liability risk

The Group manufactures products that are potentially vital to the safe operation of its customers' products or processes. A failure of the Group's products could expose the Group to loss as a result of claims made by the Group's customers or users of their products. The Group seeks to minimise this risk through limitations of liability in its contracts and carries insurance cover in the event that claims are made.

Christopher Tyler

Group Finance Director

30 January 2012

Consolidated income statement
For the year ended 30 November

	Note	2011 £'000	2010 £'000
Revenue	1	68,090	63,563
Cost of sales		<u>(45,385)</u>	<u>(42,955)</u>
Gross profit		22,705	20,608
Distribution costs		(851)	(780)
Administrative expenses		<u>(16,547)</u>	<u>(15,665)</u>
Operating profit	1	5,307	4,163
Interest payable and similar charges		(806)	(1,225)
Interest receivable		12	191
Profit before income tax		4,513	3,129
Income tax expense		<u>(1,414)</u>	<u>(961)</u>
Profit for the year attributable to shareholders		<u>3,099</u>	<u>2,168</u>
Earnings per share (basic)	2	7.3p	5.2p
Earnings per share (diluted)	2	7.3p	5.2p

Consolidated statement of comprehensive income
For the year ended 30 November

	2011 £'000	2010 £'000
Profit for the year	<u>3,099</u>	<u>2,168</u>
Other comprehensive income		
Exchange differences on translation of foreign subsidiaries	81	379
Changes in fair value of interest rate swaps held as a cash flow hedge	90	(25)
Actuarial (losses)/gains in defined benefit pension plans net of tax	<u>(1,576)</u>	<u>2,263</u>
Net other comprehensive (expense)/income	<u>(1,405)</u>	<u>2,617</u>
Total comprehensive income for the year attributable to shareholders of Porvair plc	<u>1,694</u>	<u>4,785</u>

**Consolidated balance sheet
As at 30 November**

	Note	2011 £'000	2010 £'000
Non-current assets			
Property, plant and equipment	4	8,213	8,659
Goodwill and other intangible assets	5	37,070	37,916
Deferred tax asset		1,400	1,652
		<u>46,683</u>	<u>48,227</u>
Current assets			
Inventories		9,056	7,727
Trade and other receivables		11,604	11,330
Derivative financial instruments		13	-
Cash and cash equivalents		5,111	5,897
		<u>25,784</u>	<u>24,954</u>
Current liabilities			
Trade and other payables		(12,355)	(10,402)
Current tax liabilities		(361)	(777)
Bank overdrafts and loans	6	(865)	(2,344)
Finance lease liabilities		(6)	(34)
Derivative financial instruments		(180)	(284)
		<u>(13,767)</u>	<u>(13,841)</u>
Net current assets		<u>12,017</u>	<u>11,113</u>
Non-current liabilities			
Bank loans	6	(9,331)	(13,188)
Finance lease liabilities		-	(6)
Retirement benefit obligations		(7,171)	(5,594)
Provisions for other liabilities and charges		(107)	(71)
		<u>(16,609)</u>	<u>(18,859)</u>
Net assets		<u>42,091</u>	<u>40,481</u>
Capital and reserves			
Share capital	7	851	841
Share premium account	7	34,471	34,024
Cumulative translation reserve	8	883	802
Retained earnings	8	5,886	4,814
Total equity		<u>42,091</u>	<u>40,481</u>

**Consolidated cash flow statement
For the year ended 30 November**

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash generated from operations	9	8,137	8,142
Interest received		85	156
Interest paid		(629)	(886)
Tax paid		(1,223)	(556)
Net cash generated from operating activities		6,370	6,856
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,370)	(1,269)
Purchase of intangible assets		(38)	(65)
Proceeds from sale of property, plant and equipment		54	-
Net cash used in investing activities		(1,354)	(1,334)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	7	457	-
Repayment of borrowings		(5,271)	(1,945)
Dividends paid to shareholders		(976)	(947)
Capital element of finance leases		(34)	(142)
Net cash used in financing activities		(5,824)	(3,034)
Net (decrease)/increase in cash and cash equivalents		(808)	2,488
Effects of exchange rate changes		22	25
		(786)	2,513
Cash and cash equivalents at 1 December		5,897	3,384
Cash and cash equivalents at 30 November		5,111	5,897
Reconciliation of net cash flow to movement in net debt			
		2011 £'000	2010 £'000
Net (decrease)/increase in cash and cash equivalents		(808)	2,488
Effects of exchange rate changes		87	(340)
Repayment of borrowings		5,271	1,945
Repayment of finance leases		34	142
Net debt at 1 December		(9,675)	(13,910)
Net debt at 30 November		(5,091)	(9,675)

Consolidated statement of changes in equity

	Share capital £'000	Share premium account £'000	Cumulative translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 December 2009	841	34,024	423	1,107	36,395
Profit for the year	-	-	-	2,168	2,168
Other comprehensive income/(expense):					
Exchange differences on translation of foreign subsidiaries	-	-	379	-	379
Changes in fair value of interest rate swaps held as a cash flow hedge	-	-	-	(25)	(25)
Actuarial gains in defined benefit pension plans net of tax	-	-	-	2,263	2,263
Total comprehensive income for the year	-	-	379	4,406	4,785
Transactions with owners					
Employee share option schemes:					
- value of employee services net of tax	-	-	-	248	248
Dividends approved or paid	-	-	-	(947)	(947)
Balance at 30 November 2010	841	34,024	802	4,814	40,481
Balance at 1 December 2010	841	34,024	802	4,814	40,481
Profit for the year	-	-	-	3,099	3,099
Other comprehensive income/(expense):					
Exchange differences on translation of foreign subsidiaries	-	-	81	-	81
Changes in fair value of interest rate swaps held as a cash flow hedge	-	-	-	90	90
Actuarial losses in defined benefit pension plans net of tax	-	-	-	(1,576)	(1,576)
Total comprehensive income for the year	-	-	81	1,613	1,694
Transactions with owners					
Employee share option schemes:					
- value of employee services net of tax	-	-	-	435	435
Proceeds from shares issued, net of costs	10	447	-	-	457
Dividends approved or paid	-	-	-	(976)	(976)
Balance at 30 November 2011	851	34,471	883	5,886	42,091

Notes

1. Segment information

The segmental analyses of revenue, operating profit/(loss), segment assets and liabilities and geographical analyses of revenue are set out below:

2011	Metals Filtration	Microfiltration	Other Unallocated	Group
	£'000	£'000	£'000	£'000
Revenue	<u>25,897</u>	<u>42,193</u>	<u>-</u>	<u>68,090</u>
Operating profit/(loss)	1,460	5,624	(1,777)	5,307
Finance costs	-	-	(794)	(794)
Profit/(loss) before income tax	<u>1,460</u>	<u>5,624</u>	<u>(2,571)</u>	4,513
Income tax expense	-	-	(1,414)	(1,414)
Profit/(loss) for the year	<u>1,460</u>	<u>5,624</u>	<u>(3,985)</u>	3,099
2010	Metals Filtration	Microfiltration	Other Unallocated	Group
	£'000	£'000	£'000	£'000
Revenue	<u>23,177</u>	<u>40,386</u>	<u>-</u>	<u>63,563</u>
Operating profit/(loss)	471	5,486	(1,794)	4,163
Finance costs	-	-	(1,034)	(1,034)
Profit/(loss) before income tax	<u>471</u>	<u>5,486</u>	<u>(2,828)</u>	3,129
Income tax expense	-	-	(961)	(961)
Profit/(loss) for the year	<u>471</u>	<u>5,486</u>	<u>(3,789)</u>	2,168

Other Group operations are included in "Other Unallocated". These mainly comprise Group corporate costs and include new business development costs, some research and development costs and general financial costs.

1. Segment information continued

Segment assets and liabilities

At 30 November 2011	Metals	Microfiltration	Other	Group
	Filtration		Unallocated	
	£'000	£'000	£'000	£'000
Segmental assets	26,005	39,068	2,283	67,356
Cash and cash equivalents	-	-	5,111	5,111
Total assets	26,005	39,068	7,394	72,467
Segmental liabilities	(3,042)	(8,466)	(1,495)	(13,003)
Retirement benefit obligations	-	-	(7,171)	(7,171)
Borrowings	-	(6)	(10,196)	(10,202)
Total liabilities	(3,042)	(8,472)	(18,862)	(30,376)
At 30 November 2010	Metals Filtration	Microfiltration	Other	Group
	£'000	£'000	Unallocated	£'000
			£'000	
Segmental assets	25,873	38,061	3,350	67,284
Cash and cash equivalents	-	-	5,897	5,897
Total assets	25,873	38,061	9,247	73,181
Segmental liabilities	(2,767)	(6,805)	(1,962)	(11,534)
Retirement benefit obligations	-	-	(5,594)	(5,594)
Borrowings	-	(40)	(15,532)	(15,572)
Total liabilities	(2,767)	(6,845)	(23,088)	(32,700)

Geographical analysis

	2011		2010	
	By destination	By origin	By destination	By origin
	£'000	£'000	£'000	£'000
Revenue				
United Kingdom	14,919	29,697	13,136	27,645
Continental Europe	10,384	6,207	8,744	6,548
United States of America	27,865	30,763	27,864	28,692
Other NAFTA	2,403	-	2,745	-
South America	1,588	-	1,177	-
Asia	8,018	1,423	8,519	678
Australasia	1,341	-	614	-
Africa	1,572	-	764	-
	68,090	68,090	63,563	63,563

2. Earnings per share

	2011			2010		
	Earnings £'000	Weighted average number of shares	Per share amount (pence)	Earnings £'000	Weighted average number of shares	Per share amount (pence)
Basic EPS						
Earnings attributable to ordinary shareholders	3,099	42,380,215	7.3	2,168	42,073,640	5.2
Effect of dilutive securities – share options	-	156,228	-	-	1,958	-
Diluted EPS	3,099	42,536,443	7.3	2,168	42,075,598	5.2

3. Dividends per share

	2011		2010	
	Per share	£'000	Per share	£'000
Final dividend paid	1.30p	552	1.25p	526
Interim dividend paid	1.00p	424	1.00p	421
	2.30p	976	2.25p	947

The Directors recommend the payment of a final dividend of 1.4 pence per share (2010: 1.3 pence per share) on 8 June 2012 to shareholders on the register on 4 May 2012; the ex-dividend date is 2 May 2012. This makes a total dividend for the year of 2.4 pence per share (2010: 2.3 pence per share).

4. Property, plant and equipment

Cost	Land and buildings	Assets in the course of construction	Plant, machinery and equipment	Total
	£'000	£'000	£'000	£'000
At 1 December 2010	4,172	300	22,501	26,973
Reclassification	11	(398)	387	-
Additions	-	465	905	1,370
Disposals	(2)	-	(310)	(312)
Exchange differences	(22)	1	(95)	(116)
At 30 November 2011	4,159	368	23,388	27,915
Depreciation				
At 1 December 2010	(1,325)	-	(16,989)	(18,314)
Charge for the year	(326)	-	(1,318)	(1,644)
Impairment charge	(121)	-	-	(121)
Disposals	2	-	290	292
Exchange differences	9	-	76	85
At 30 November 2011	(1,761)	-	(17,941)	(19,702)
Net book value				
At 30 November 2011	2,398	368	5,447	8,213
At 30 November 2010	2,847	300	5,512	8,659

5. Goodwill and other intangible assets

2011

	Goodwill £'000	Development expenditure capitalised £'000	Software capitalised £'000	Trademarks £'000	Total £'000
Net book amount at 1 December 2010	36,380	1,248	270	18	37,916
Additions	-	-	38	-	38
Amortisation charges	-	(126)	(159)	(7)	(292)
Impairment charge	-	(492)	-	-	(492)
Exchange differences	(85)	(17)	2	-	(100)
Net book amount at 30 November 2011	36,295	613	151	11	37,070

At 30 November 2011

	Goodwill £'000	Development expenditure capitalised £'000	Software capitalised £'000	Trademarks £'000	Total £'000
Cost	54,832	1,863	1,016	35	57,746
Accumulated amortisation and impairment	(18,537)	(1,250)	(865)	(24)	(20,676)
Net book amount	36,295	613	151	11	37,070

6. Borrowings

	2011 £'000	2010 £'000
Secured multi-currency revolving credit facility of US\$15 million maturing in December 2013 with interest at 2.7% (2010: 2.95%) above US dollar LIBOR	6,492	9,440
Secured five year amortising debt facility of £3.75 million (2010: £4.75 million) expiring in December 2013 with interest at 2.7% (2010: 2.95%) above LIBOR	3,704	4,655
Secured Euro revolving credit facility of €1.6 million which matured in January 2011 with interest at 2.95% above EURIBOR	-	1,337
Unsecured loan notes relating to the acquisition of Toolturn Engineering Limited	-	100
At 30 November	10,196	15,532

The Group had £3.0 million of unused facilities (2010: fully drawdown) and an unutilised overdraft facility of £2.5 million (2010: £2.5 million).

7. Share capital and premium

	Number of shares thousands	Ordinary shares £'000	Share premium account £'000	Total £'000
At 1 December 2010	42,074	841	34,024	34,865
Issue of shares on exercise of share options	487	10	447	457
At 30 November 2011	42,561	851	34,471	35,322

In February 2011, 352,000 ordinary shares of 2 pence each were issued on the exercise of employee share options for cash consideration of £349,000. In October and November 2011, 135,232 ordinary shares were issued on completion of the 2008 Save As You Earn scheme for cash consideration of £108,000.

8. Other reserves

	Cumulative translation reserve £'000	Retained earnings £'000
At 1 December 2009	423	1,107
Profit for the year attributable to shareholders	-	2,168
Dividends paid	-	(947)
Actuarial gains	-	3,100
Tax on actuarial gains	-	(837)
Share based payments	-	113
Tax on share based payments	-	135
Interest rate swap cash flow hedge	-	(25)
Exchange differences	379	-
At 30 November 2010	802	4,814
Profit for the year attributable to shareholders	-	3,099
Dividends paid	-	(976)
Actuarial losses	-	(1,800)
Tax on actuarial losses	-	224
Share based payments	-	280
Tax on share based payments	-	155
Interest rate swap cash flow hedge	-	90
Exchange differences	81	-
At 30 November 2011	883	5,886

9. Cash generated from operations

	2011 £'000	2010 £'000
Operating profit	5,307	4,163
Non-cash pension charge	200	200
Share based payments	280	113
Depreciation, amortisation and impairment	2,549	2,006
(Profit)/loss on disposal of property, plant and equipment	(34)	111
Operating cash flows before movement in working capital	8,302	6,593
(Increase)/decrease in inventories	(1,300)	662
Increase in trade and other receivables	(331)	(980)
Increase in payables	1,466	1,867
(Increase)/decrease in working capital	(165)	1,549
Cash generated from operations	8,137	8,142

10. Basis of preparation

The results for the year ended 30 November 2011 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as at 30 November 2011. The financial information contained in this announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information has been extracted from the financial statements for the year ended 30 November 2011, which have been approved by the Board of Directors and on which the auditors have reported without qualification. The financial statements will be delivered to the Registrar of Companies after the Annual General Meeting. The financial statements for the year ended 30 November 2010, upon which the auditors reported without qualification, have been delivered to the Registrar of Companies.

11. Annual general meeting

The Company's Annual General Meeting will be held on Wednesday 11 April 2012 at 7 Regis Place, Bergen Way, King's Lynn, PE30 2JN.